Department of
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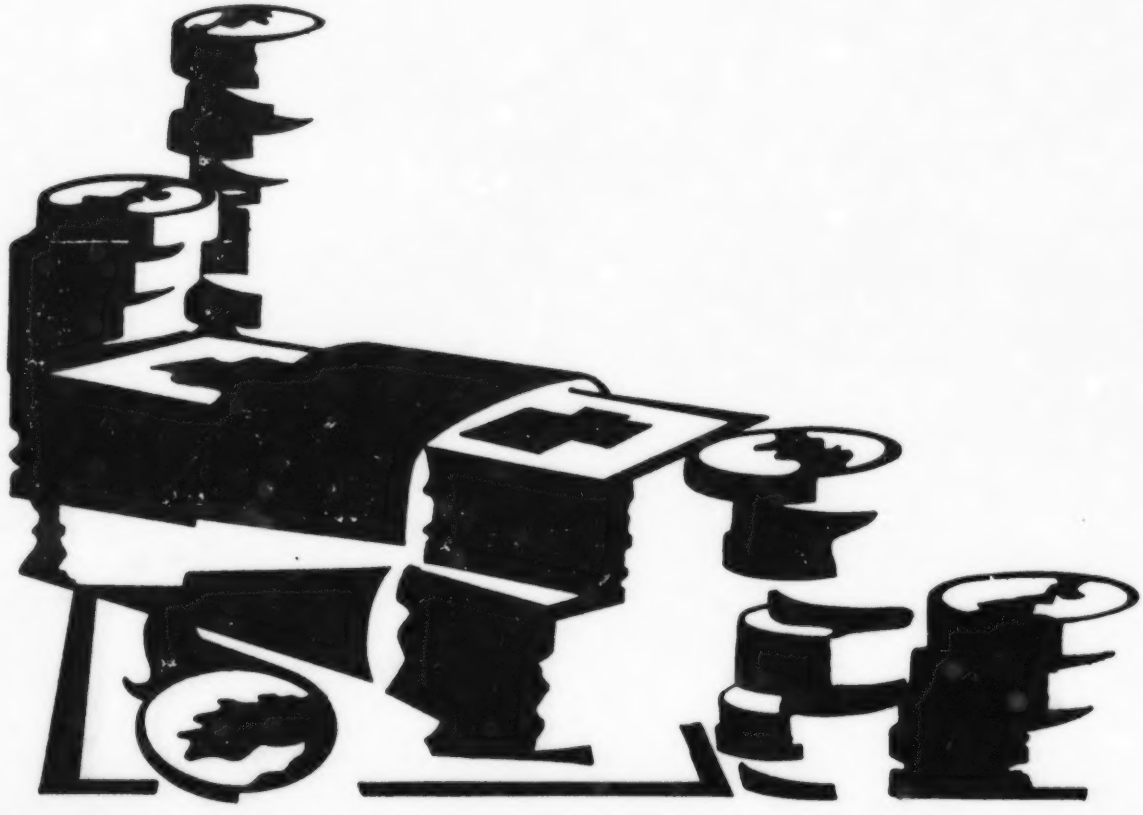
Investment Limits

1985



INVESTMENT LIMITS

- SWINE -

It was necessary to make a number of assumptions in estimating investment or borrowed capital limits for a swine farm. The assumptions and the methodology used are set out below.

ASSUMPTIONS:

1. Gross Receipts - Gross Receipts are composed of feeder hog sales. These were calculated on the basis of a 169 pound carcass with an average index of 103.6. Various price levels and production per cow combinations were used as outlined in the attached table.

2. Expenses - Expenses were estimated as outlined below. The 1984 Nova Scotia Swine Farm Business Summary for Farrow to Finish operations was used as a source document for estimating input costs. Current prices have been used in the calculations.

The following list of variable costs is based on marketing 16 market hogs per sow per year. Variable costs have been increased or decreased by $87.00 per sow per year for each one (1) hog per year variation (increase or decrease) from this level.

Feed	$ 1,552.
Hired Labor	176.
Vet & Drugs	21.
Bedding & Supplies	11.
Utilities	61.
Marketing	27.
Miscellaneous	24.
Interest - Operating Credit @ 14%	66.
TOTAL VARIABLE COSTS	$ 1,938.

3. Labor - Operator labor was estimated to be $162. per sow per year. This represents unpaid operator labor and must be considered to be a minimum living allowance.

4. Formula - The following formula was then used to estimate a residual to cover fixed costs.

GROSS RECEIPTS - EXPENSES - LABOR = RESIDUAL FOR FIXED COSTS

5. Fixed Costs - Fixed costs, by our definition, includes depreciation, interest, repairs, taxes and insurance. Annual fixed costs were estimated to be 15.6 percent of initial investment.

The following assumptions were made in arriving at the above fixed cost figure:

(a) Depreciation was calculated in the normal manner on buildings, equipment and livestock at 5, 10 and 40 percent respectively.

(b) Interest was calculated in the usual manner on land, buildings and equipment at 8 percent and 14 percent on livestock.

(c) Repairs were estimated to be 2.4 percent on buildings and 5 percent on equipment.

(d) Taxes were estimated to be ½ of 1 percent on buildings and equipment.

(e) Insurance costs were estimated to be $11.25 per thousand on buildings and equipment, and $8.40 per thousand on livestock. These rates are for a three (3) year period.

Given the above information, investment or borrowed capital limits were estimated for various pork prices and hogs sold per sow per year combinations. These estimates are found in the table on the following page.

INVESTMENT LIMITS - SWINE

PRICE OF PORK PER CWT.	HOGS SOLD PER SOW PER YEAR									
	13	14	15	16	17	18	19	20	21	22
75	***	***	***	6	291	575	859	1,700	1,427	1,711
76	***	***	***	186	481	777	1,072	1,925	1,662	1,958
77	***	***	59	366	672	979	1,285	2,149	1,898	2,205
78	***	***	227	545	863	1,181	1,498	2,374	2,134	2,452
79	***	67	396	725	1,054	1,383	1,712	2,598	2,370	2,698
80	***	224	564	904	1,245	1,585	1,925	2,823	2,605	2,945
81	30	381	733	1,084	1,435	1,787	2,138	3,047	2,841	3,192
82	176	538	901	1,263	1,626	1,989	2,351	3,272	3,077	3,439
83	322	695	1,069	1,443	1,817	2,191	2,565	3,496	3,312	3,686
84	467	852	1,238	1,623	2,008	2,393	2,778	3,721	3,548	3,933
85	613	1,010	1,406	1,802	2,198	2,595	2,991	3,945	3,784	4,180
86	759	1,167	1,574	1,982	2,389	2,797	3,204	4,170	4,019	4,427
87	905	1,324	1,743	2,161	2,580	2,999	3,418	4,394	4,255	4,674
88	1,051	1,481	1,911	2,341	2,771	3,201	3,631	4,618	4,491	4,921
89	1,197	1,638	2,079	2,520	2,962	3,403	3,844	4,843	4,726	5,168
90	1,343	1,795	2,248	2,700	3,152	3,605	4,057	5,067	4,962	5,415
91	1,489	1,952	2,416	2,880	3,343	3,807	4,271	5,292	5,198	5,661
92	1,635	2,109	2,584	3,059	3,534	4,009	4,484	5,516	5,433	5,908
93	1,781	2,267	2,753	3,239	3,725	4,211	4,697	5,741	5,669	6,155
94	1,926	2,424	2,921	3,418	3,916	4,413	4,910	5,965	5,905	6,402
95	2,072	2,581	3,089	3,598	4,106	4,615	5,124	6,190	6,141	6,649
96	2,218	2,738	3,258	3,778	4,297	4,817	5,337	6,414	6,376	6,896
97	2,364	2,895	3,426	3,957	4,488	5,019	5,550	6,639	6,612	7,143
98	2,510	3,052	3,594	4,137	4,679	5,221	5,763	6,863	6,848	7,390
99	2,656	3,209	3,763	4,316	4,870	5,423	5,976	7,088	7,083	7,637
100	2,802	3,367	3,931	4,496	5,060	5,625	6,190	7,312	7,319	7,884

NOTE: (***) represents a number less than zero.

LIMITATION - It should be noted that these figures are only estimates and are intended to be used as a guide only. Care should be taken in their use and interpretation.

OCTOBER 1985